



MINUTES OF THE FINANCE COMMITTEE MEETING

Held At Esher College
Tuesday, 6th June 2017, at 6.00 pm.

Present:

Robin John (Chair)	Tim Oliver
Dan Dean	Terry Price
David Irving	Fran Stewart

Stephanie Wiles (Director of Finance & Estates)
Rebecca De'Ath (Clerk)

1. BUSINESS INTERESTS IN AGENDA ITEMS

There was nothing to declare.

2. APOLOGIES FOR ABSENCE

Apologies were received and accepted from Jo Gardner.

3. MINUTES OF THE LAST MEETING

The minutes of the meeting of 2nd March 2017 contained the following errors:

- Page 2, line 2, replace "spend" with "spending";
- Item 6, line 1, delete "in sum".

The minutes were approved, subject to the above changes.

4. MATTERS ARISING

All actions had been completed.

F2-001: Inconsistency in Reserve figures explained in email of 03.03.17

F2-002: monies were moved to Lloyds Bank for 9 months.

F2-003: changes to the TORs were reported to the Corporation.

F2-004: both banks confirmed in writing that they would just need to change their customer records if the College became an academy and that no further actions would be required in terms of the accounts held with them.

Governors asked whether the revaluation of the Local Government Pension Scheme rate was now completed. The Director of Finance and Estates explained that she had an email to the effect that this has all been implemented; rates will change on 1st August, and will decrease.

Fran Stewart arrived at 6.15pm

5. FINANCE AND BUDGET REPORT 01.08.16 – 31.04.17

The Director of Finance and Estates reported that the College's income was below budget, but the College trips income was difficult to predict and this variance was masking the true position – it was expected therefore that the full year budget would be achieved. High Needs income was as expected; the College's surplus was better than the budgeted figure, which was positive.

In terms of expenditure, the staffing salaries were slightly below budget, but the College was in the middle of a recruitment round and the likelihood is that the actual spend will be near the budget figure. It was anticipated that the College would hit the 1% EBITDA return to ensure a "Good" financial rating.

Governors sought clarification from the Director of Finance and Estates on the point below:

Q: How have you treated the costs of academy conversion? Most of the Transition Fund grant has not been spent yet, and therefore a portion will be deferred to next year's budget.

Having reviewed the Management Accounts for the nine months to 30 April 2017, Governors noted that the College had experienced its tightest year financially, and praised the Director of Finance and Estates for achieving this positive outcome. The Finance and Budget Report was approved by the meeting.

Approved by: Terry Price Seconded by: Robin John

6. TWENTY-FOUR MONTH CASHFLOW FORECAST AT 30.04.17

The Director of Finance and Estates explained that there was little to highlight: all figures were as forecast, with the addition of CIF funding of £178k this month and £20k expected in March 2018. The balance is currently predicted to be higher at the end of the year. The balance at the start of the year was £3.6m, and is now predicted to be £3.8m which reflects the efforts that have been made to control costs and the CIF capital that will be received and won't have been spent.

Governors put the following question to the Director of Finance and Estates:

Q: What is the capital payment of £277k in July for? It is a mix of IT and Estates spending.

The meeting noted the healthy cash balance and thanked the Director of Estates and Finance for her work.

7. PROVISIONAL BUDGET 2017-18 AND THREE YEAR FINANCIAL PLAN

The Principal set the scene in terms of the financial climate that the College was facing: funding was reducing (there will be no formula protection funding next year), yet costs are increasing. The College was planning a small increase in student numbers and a property strategy was underway to inform this process. Already the estate is fully-utilised and there will have to be further investment to accommodate more students (the Corporation had agreed that this investment be funded by the College's Reserves). Against this background there was the debate as to whether the College would become an academy or remain as it is.

Two budgets had been produced – one for the College if it remained as it was and the other for the College if it became an academy. Governors sought the following information from the Principal and the Director of Estates and Finance:

Q: How many students do we have at the moment? The actual figure is 1862. The projection for the following year is for 1870 students, then 1900 the year after.

Governors felt that these were modest increases and that there had been bigger increases in student numbers in previous years. They agreed with the College's cautious approach and the need to ensure that increases could be accommodated by the estate.

Q: Do you expect the number of teachers to rise, as the student population rises? We are not at our limit in terms of the teacher/student ratio and there is some slack in certain subject areas. Current classes vary between about 16 to a maximum of 22 students.

Q: How much would our financial health have to worsen for us to fall into the lower financial health ratings? We receive about £4k per student and if we lost 30 students, then we would lose £120k, for example. The Education & Skills Funding Agency (ESFA) has a number of criteria for intervention.

The Principal explained that he was comfortable with a health rating of "Good", given the College's levels of income and expenditure.

Q: How is Adult Education income budgeted? This is based on the courses that the Manager expects to be held over the year.

Q: Is there any opportunity to increase income from lettings and rent? We have lost the Marathon event (although this cost the college more than the income received). The estate is pretty fully-utilised on evenings and weekends. Over the longer term, a new Business Development Manager would be able to maximise income for the College, but this proposal is on hold while the College focuses on the academy process.

Q: What assumptions are made in the budget for the recruitment and retention of staff? We use the March payroll list as a basis and anticipate which staff might be leaving allowing for standard increases and pay rises. It is a zero-based exercise.

Q: Do you factor in a percentage figure for staff vacancies? No, we think the current approach is prudent. An extra 2% has been put in to the Teachers' pension figure from 2018 to cover potential increases.

Q: How does the budget for the academy compare to the budget for the College as it currently stands? There would be the need for additional staffing resource if the College became an academy. Other variances (mainly VAT) are detailed in the reconciliation.

Q: Why does the pension rate contribution reduce if we become an academy? The employer's covenant would be deemed to be stronger as the government would guarantee the LGPS pension liability.

Q: So the savings if we became an academy would amount to £250k? Yes. I have not built in the figure for additional staff cost into the College budget yet, but this will be discussed at the next meeting.

Q: I see that the performance measure if we were an academy would stay at above 1% until 2027. If we did not convert, how long would it be before we hit 1%? It would obviously be sooner; we think we could drop as low as 1% by 2020/21.

The meeting discussed the fact that this Committee had been asked to review two sets of figures (for the College as is, and if it became an academy) to determine whether finance was a driving force

in any change of College status. The finding was that there was no compelling financial need to convert. Some Governors felt that as the process had been started, then it made sense to finish it, whereas others felt that there was no compulsion to do so. The General Election may have a bearing on any decision taken, dependant on the result. The work that the Director of Finance and Estates had carried out was important and useful and would be fed into the next Academy Working Group and Policy Committee meetings. The meeting could demonstrate that the decisions being made were the best for the College and that the wider national context had also been taken into account.

The meeting noted that the conversion application process was almost complete – three documents were to be sent to the Head Teacher Board in September, subject to Corporation agreement.

The meeting agreed that the College budget based on its present status would be sent to ESFA in July (as opposed to the academy version, which was for information only). The provisional budget for 2017/18 and the three-year plan were approved.

Proposed by: Robin John Seconded by: David Irving

ACTION: Committee Chair to ensure that the results of this discussion are fed into the Academy Working Group meeting, and that of the Policy Committee on 22nd June 2017.

8. EFA LETTER RE: FINANCIAL STATEMENTS (2015-16)

The results of EFA's assessment into the College's audited financial statements for 2015/16 had been circulated prior to the meeting. A financial health grade of 'outstanding' was confirmed. There were no questions from Governors and the contents of the letter were noted.

9. ADDENDUM TO THE FINANCIAL REGULATIONS

The section of the Financial Regulations that covered tenders had been discussed at Estates as no longer being fit for purpose. Therefore, an addendum was proposed to the Finance Committee by the Director of Finance and Estates. Governors made the following points:

- Bullets points 3 & 4: clarify that it is for *each of the Chairs* of the Finance Committee, Estates Committee and of the Corporation to be involved.
- Bullet point 2: The word 'variations' refers to finance. Contract variations will be covered when the Financial Regulations undergo a full review.

The amended wording was otherwise approved.

Proposed by: Terry Price Seconded by: Robin John

ACTION: Director of Finance and Estates to add more details when this document is next reviewed.

10. ANY OTHER BUSINESS

The Committee Chair had reviewed the work of the Committee against the CIPFA Good Practice Self-Evaluation Tool for Finance Committees and reported that he saw no gaps in the Committee's business or areas that the Committee did not cover. Members thanked him for carrying out this cross-check.

11. DATE OF NEXT MEETING – Wednesday, 15th November 2017 tbc

The meeting closed at 6.57 pm.

Attendance was 86% (6 out of 7 members)

Signed.....

Date.....

SUMMARY OF ACTIONS

F3-001	<u>Item 7. Provisional budget 2017/18 - Committee Chair</u> to ensure that the results of this discussion are fed into the Academy Working Group meeting, and that of the policy committee on 22 nd June 2017.
F3-002	<u>Item 9. Financial Regulations – Director of Finance and Estates</u> to expand on the wording about variations when this document is next reviewed.

SUMMARY OF GOVERNOR CHALLENGE [C] /SUPPORT [S]

C/S	Item	Topic
S	4	<u>Matters Arising (LGPS):</u> Governors checking that the revaluation of rates had taken place, and that there was no further impact for the College demonstrates support.
C S	5	<u>Finance and Budget Report:</u> Governors checked their understanding of the assumptions in the budget. They recognised the work that the Director of Finance and Estates had put in to achieve the positive financial outcome.
C	6	<u>Cash flow Forecast:</u> Question asked by a Governor about the treatment of income.
C S/C	7	<u>Provisional Budget and 3-yr plan:</u> probing questions about future student numbers, teaching staff numbers and the academy budget challenged underpinning assumptions to the budget. Questions about maximising lettings show support and challenge for the College.
S/C	9	<u>Financial Regulations:</u> suggestions from Governors as to how the wording might be made more robust.
S	10	<u>AOB:</u> the Chair had evaluated the workings of this Finance Committee against the CIPFA Good practice Self-evaluation model and had found no areas lacking.